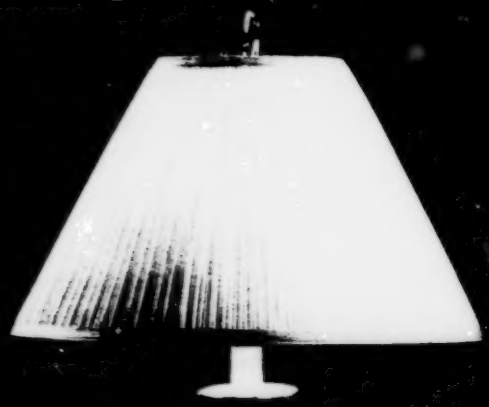
SaskTel

1990 Annual Report



Investing in the future

91-04156/

1990 Annual Report

On the cover

Now that the ambitious ILS program is complete, thousands of rural customers, like farmer Gord Reichel and his daughter Tara of Edenwold, have quick and convenient access to leading-edge technologies. Besides helping businesses improve productivity and increase efficiency, SaskTel's investment in new technologies is enhancing personal lifestyles for consumers.

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Corporate profile

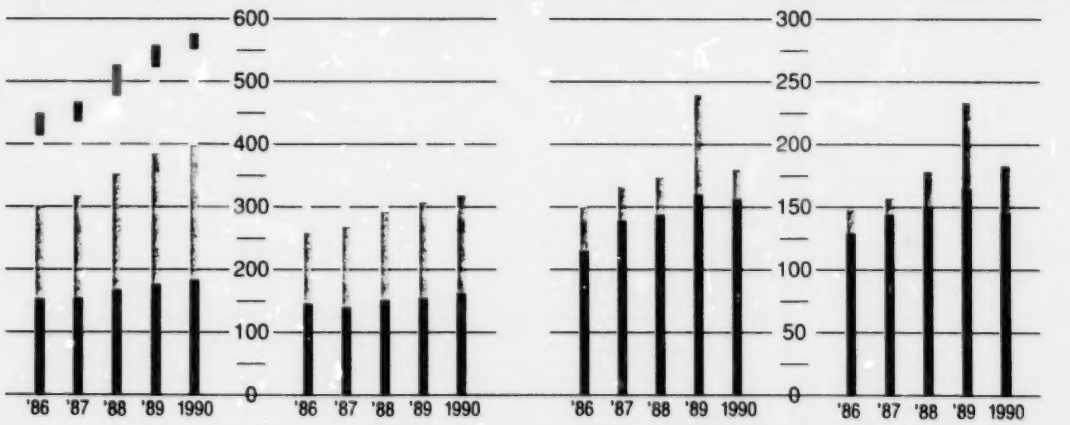
Saskatchewan Telecommunications (SaskTel) is the provincially owned crown corporation responsible for providing local and long distance voice, data, image and text services to the people of Saskatchewan. Through its membership in Telecom Canada, an association of Canada's major telecommunications companies, SaskTel provides a full range of national and world-wide long distance communications services.

The corporation employs 4,200 people; the majority located in Regina (head office) and Saskatoon. Employees are also located in 65 other communities throughout the province.

SaskTel is a technological leader in the telecommunications industry providing advanced telecommunications services to more than 430,000 residential and business customers.

The customer-focused corporation responds quickly to diverse customer needs for efficient, reliable information products and services. It provides an ever increasing number of superior-quality, competitively priced services to expand communications solutions by applying the latest technological advances in the most economical way.

Financial highlights



Operating revenues

(Millions of dollars)

- Other income
- Other revenues
- Local revenues
- Toll – out of province
- Toll – in province

Operating expenses

(Millions of dollars)

- Depreciation
- General and administration
- Maintenance and operations

Sources of cash

(Millions of dollars)

- Working capital decrease
- Financing
- Operations

Uses of cash

(Millions of dollars)

- Working capital increase
- Dividend
- Net construction

Letter of transmittal

Regina, Saskatchewan
March 28, 1991

To Her Honour
The Honourable Sylvia O. Fedoruk, O.C., S.O.M.
Lieutenant Governor of the
Province of Saskatchewan

Dear Lieutenant Governor:

I have the honour to submit herewith the annual report of Saskatchewan Telecommunications for the year ending December 31, 1990, including the financial statements, duly certified by auditors for the corporation, and in the form approved by the Treasury Board, all in accordance with The Saskatchewan Telecommunications Act.

I have the honour to be,
Your obedient servant,

Hon. J. Gary Lane, Q.C.

Minister Responsible for
Saskatchewan Telecommunications

Introduction

SaskTel has entered the 1990s with a great deal of pride in its record of achievement on behalf of the people of Saskatchewan. The company's continuing search for new opportunities of benefit to its customers has also prepared the province for the information age.

SaskTel has endeavoured not only to supply advanced technologies for the benefit of Saskatchewan residents and businesses, but has also applied these technologies to sharpen its own focus on improving and enhancing its service to its customers.

The past year marked the virtual completion of the largest single project in the company's history, the $225 million individual line service program, providing advanced urban-quality lines to rural customers throughout the province. Originally estimated to cost $264 million when announced in 1986, the project was concluded on time and $39 million under budget.

In tandem with this project is a program to convert the company's facilities fully to computer-based digital technology. When this work is complete by the mid-1990s, SaskTel's customers will have access to the very latest in the facilities, services and benefits which the information age has to offer anywhere.

This 10-year program will have involved an investment of close to $500 million and will deliver to its customers a level of efficiency and service never before possible.

As one example, in an economic environment of constantly-rising costs, the trend in long distance rates has been in the opposite direction. In little more than three years, when costs of almost all other goods and services have increased by up to 20 percent, long distance rates will have been cut almost in half.

Another example is the introduction of an innovative new standard for basic service, called the 40/40 plan. This plan extends the scope of basic service, providing 40 minutes of free direct-dialled calling a month within a 40-mile radius of each customer's home telephone exchange.

The plan extends a consistent quality of service to urban and rural residents alike and ensures all have reasonable access to basic support and emergency services regardless of where they live.

The 40/40 Plan was part of a package of policy and rate changes announced late in the year which together represents an annual savings to SaskTel customers of $18 million.

Among the other changes announced was the expansion of choices to customers of the type of telecommunications equipment available to them. Customers now may choose among any available supplier, including SaskTel, and whether to purchase, lease or rent their equipment. They may also install or expand their own inside wiring.

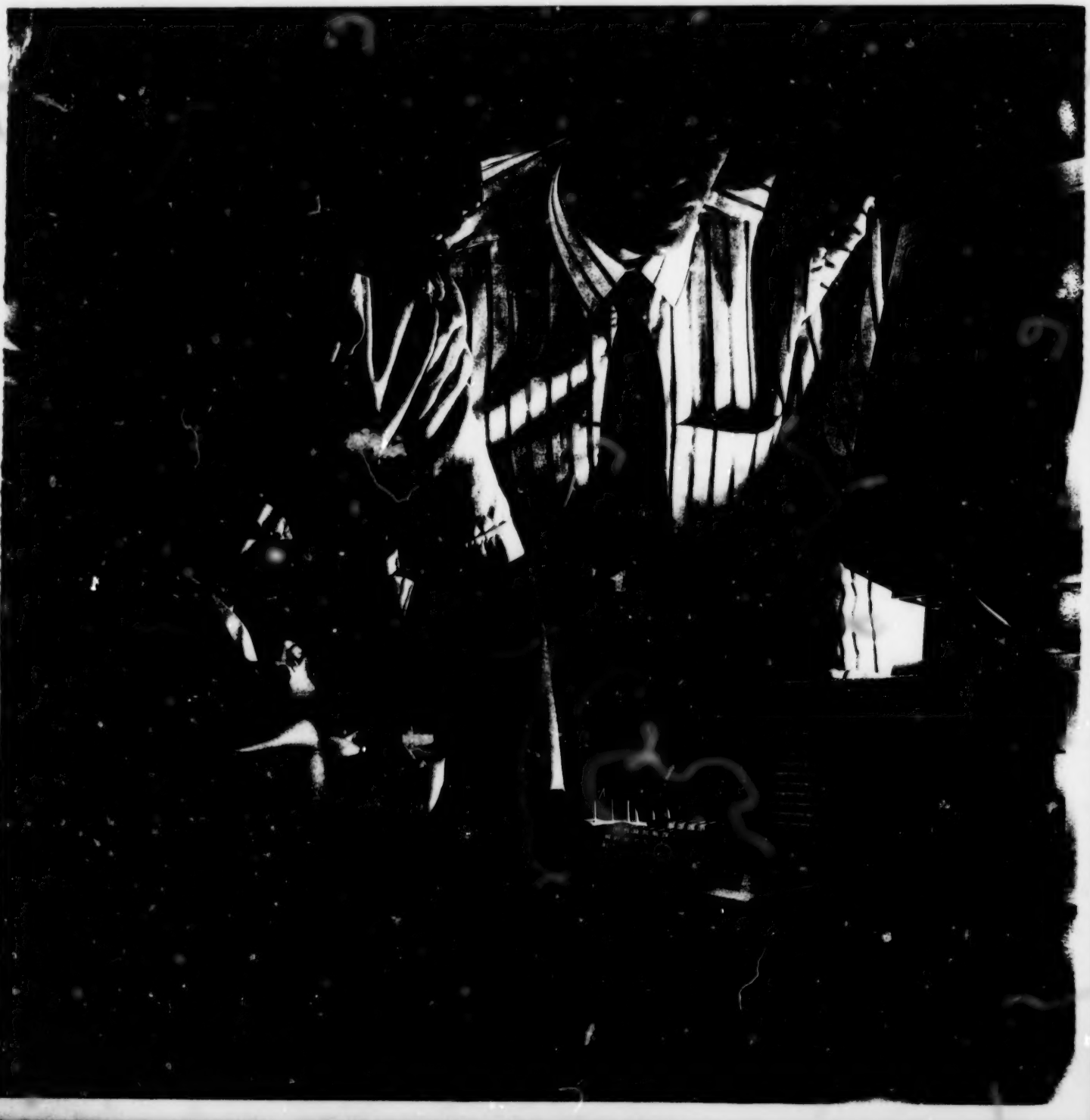
During the year, SaskTel experienced a significant increase in the demand for cellular service. The company also expanded service to a number of communities, including Yorkton, Melville, Esterhazy, Prince Albert, Fort Qu'Appelle and the surrounding districts, making SaskTel's cellular service by far the most widely available in the province.

Despite its ambitious investments in technology, expansion of services and substantial reductions in long distance rates, the company in 1990 continued to maintain a strong financial performance.

Net earnings for the year were $46.9 million, on total revenues of $574.5 million and expenses of $434.7 million. These represent an increase of $21 million in operating revenues, compared with revenues in 1989 of $553.5 million, and an increase in operating expenses of $17.6 million over the 1989 expenses of $417.1 million.

SaskTel's Provincial Network Operations Control Centre in Regina keeps a watchful eye on the status of long distance voice, video and data communications.

In Saskatoon, SaskTel is studying the feasibility of using new network technology to automatically keep track of energy and water use. Under the pilot project, water, gas and electrical meters are connected by telephone lines to a central computer which records consumption. Reviewing results during the trial are (l to r), Vern Dyck, City of Saskatoon; SaskTel's Harry Chow and Michel Jarzab of Develcon.



Securing the future

When you pick up a telephone or use the modem in your computer you're looking for instant, accurate communication. Your concern is now. That, too, is SaskTel's concern — to provide every customer with the best telecommunications products and services available.

But SaskTel also has another aim — to help secure the future, for its customers and for all the people and businesses of Saskatchewan. SaskTel is pursuing that aim largely by investing in technology.

For example, the state-of-the art computers that drive SaskTel's network, and the fiber optic systems that transport information, significantly lower operating and maintenance costs. The savings, in turn, are passed on to SaskTel's customers in the form of lower long distance costs and other service benefits.

Savings today, opportunities tomorrow

In November 1990 SaskTel announced a series of rate changes and policy initiatives that represent annual net savings of $18 million to SaskTel customers.

The rate package includes the restructuring and capping of in-province toll rates, a reduction in extension and touch-tone charges, and the elimination of telephone jack charges. On December 15, 1990, to accommodate changes in terminal attachment policies, basic service was split into two parts — a network access charge and an equipment rental fee. As part of SaskTel's movement toward an all-digital system, touch-tone service became the standard grade of basic network access.

Coincident with these changes was the introduction of an innovative toll-reduction plan known as 40/40. The first of its kind in North America, this plan gives all SaskTel customers 40 minutes of toll-free, direct-dial calling per month to any telephone connected to another exchange within a 40-mile radius of their exchange centre. The new plan was implemented in response to recommendations from the Exchange Area Boundaries Commission, which identified the need to protect the social and economic life of Saskatchewan's rural communities. Their findings were based on dozens of written submissions and customer comments made at 23 public meetings held around the province. At another series of public meetings, held in 1990, SaskTel gathered customer suggestions to the proposed plan prior to its implementation in mid-December. As part of the rate package, monthly basic access charges were increased by $1.00 per line for residential customers, $2.00 for business customers and $.50 for centrex lines.

SaskTel also implemented a new 60 cent charge for directory assistance inquiries, which applies only if the number requested is listed in the caller's current local SaskTel directory. The charge is waived for registered disabled customers and for all calls originating from payphones, hospitals, hotels and motels. SaskTel was the last telephone company in Canada to introduce a directory assistance charge designed to discourage misuse.

A new terminal attachment policy came into effect in mid-December, giving all business and residential customers the option of purchasing their own telecommunications equipment. With the change, all customers now have the choice of purchasing their equipment from SaskTel or alternative suppliers. In addition to owning their own main sets and switchboards, customers can install their own wiring in their homes and businesses. Customers still have the option of leasing or renting equipment from SaskTel.

Smaller bills, longer distances

SaskTel customers received another benefit of technology on January 1, 1990 when the corporation implemented a major package of rate reductions on out-of-province long distance calls. The reductions represent an average savings of 15 percent on toll calls of more than 232 kilometres made to destinations in other provinces; and from 2 to 6.8 percent on calls made to the continental United States. Rates for SaskTel's 800 and WATS services were also restructured to provide savings for the majority of business users.

Rates for high-speed data services such as Megastream, Megaroute, Dataroute and Datapac were also reduced. Further rate reductions, averaging 15 percent on out-of-province calls, became effective January 1, 1991.

In addition to these toll reductions and SaskTel's innovative 40/40 plan, SaskTel introduced three new discount plans to provide customers with increased flexibility and control over their long distance costs: Teleplus, Advantage and FaxCom.

During Agribition in Regina, SaskTel became the first company in the world to conduct a field trial of CT-3 two-way personal communications phones. Earl Smith, Assistant Manager of Agricultural Services for Royal Bank, took part in customer evaluation of the small cordless-type phone, along with other exhibitors and Agribition workers.

SaskTel portable cellular phones go just about anywhere, making it easy for customers such as Grant Urban of Yorkton's CJGX Radio to conduct interviews or phone in on-the-spot reports. In this highly competitive market, SaskTel customers have access to the most comprehensive cellular coverage in the province.

Both eyes on the customer

Deciding which technology to deploy in the network and which to offer to the marketplace requires only one thing — keeping both eyes on the customer.

By staying in tune with the evolving, constantly changing needs of its business and residential customers, SaskTel is able to make intelligent decisions about which mix of technologies will be most beneficial. In this way, SaskTel determines where to deploy digital, fiber optic and intelligent technologies to enhance the quality of life for individuals and opportunities for business.

Customers on the go

For example, in a fast-paced business environment, customers cannot afford to be out of touch, even when out of the office. SaskTel is helping these busy customers stay in touch with cellular phones and the most extensive cellular network in the province. As the demand for cellular service grows, SaskTel's aggressive expansion of coverage areas signals its intention to be the undisputed leader in the competitive business of wireless communications.

During 1990 SaskTel Cellular service was extended to a number of communities, including Yorkton, Melville, Esterhazy, Prince Albert, and Fort Qu'Appelle. As a result, cellular service is now available in most major centres and along the connecting highway corridors. Approximately 80 percent of the province's population lives within areas covered by the corporation's cellular network.

Cellular customers receive local sales and service from more than 200 authorized SaskTel dealers, in addition to SaskTel Business Centres and Telmarts. Through its affiliation with CellNet Canada, SaskTel Cellular offers the broadest coverage in Canada, from British Columbia to Newfoundland, and internationally.

Personal communications

For customers who require that their portable phones be small and inexpensive, in November 1990 SaskTel conducted a field trial of two-way (send and receive) personal communications phones at the Canadian Western Agribition in Regina. Agribition workers and exhibitors used the lightweight, pocket-sized phones, provided by NovAtel and Ericsson Radio Systems, during the annual agricultural show. A similar send-only phone supplied by Northern Telecom underwent technical analysis and market testing at the same time.

The new units, which are expected to be less expensive to buy and operate than cellular phones, use low-power, digital radio technology to provide exceptionally clear communications. SaskTel is conducting tests under a trial

Family Pizza in Lloydminster is enthusiastic about the call display feature on their new Maestro telephone. Since the phone displays the number of the party calling, restaurant employee Susan Meise doesn't waste time calling back to verify an order.

licence until the fall of 1991, at which time the federal Department of Communications will review the tests. If SaskTel is granted an operating licence, the corporation will introduce this latest wireless technology to the marketplace. The small phones are ideally suited for public locations such as airports and malls.

Convenience at home

Thousands of residential and business customers throughout the province had an opportunity to discover the benefits of custom calling services under an on-going promotional campaign in 1990. Free-of-charge custom calling trials continued to prove popular as selected individual customers, served by new digital switching systems, experienced the convenience afforded by call waiting, call forwarding, speed dialing and three-way calling.

An innovative "Together for Success" program initiated during the year promotes a concept that packages custom calling features with touch-tone service and feature telephone sets. The program simplifies purchase decisions for customers and gives them additional opportunities to save money.

A second generation of custom calling services was introduced to Lloydminster in September. Residential and single-line business customers on both sides of this border city had the opportunity to try out the latest in digital-switch based features during a promotional four-week trial conducted jointly by SaskTel and AGT.

The three new services represent the latest in call management, security and convenience in the telecommunications marketplace:

Call display: Shows the calling number before the call is answered.

Call trace: Provides the ability to trace disturbing, harassing or threatening calls.

Call return/again: Pressing two buttons automatically re-dials the number of the last incoming call, or programs the phone to keep dialing a busy line until it becomes available.

A new, sophisticated telephone set, marketed under the name Maestro, was available free-of-charge to Lloydminster customers during the trial. Besides a small LCD screen used in conjunction with the call display option, the easy-to-use phone has many other convenient features such as a 10-number memory and a visual ringing signal.

Meetings cost less time and money

VideoForum, a new video conferencing service first introduced to Saskatchewan in 1989, was expanded to Saskatoon in October. Located at the Saskatoon Holiday Inn, the new facility complements the original facility at the Regina Delta Hotel. Specially designed conference rooms in both cities provide customers with fully interactive, two-way video and audio capabilities. VideoForum meeting centres are available in 21 other Canadian public locations and in most major cities in the United States and overseas.

During the year SaskTel worked with AGT to set up private VideoForum facilities for Saskoil in Regina and Calgary. Saskoil has since experienced measurable productivity gains and a significant reduction in air flights each month between the two cities.

No need for coins

Millenium telephone sets, employing the latest in electronics technology, were introduced to Saskatchewan at the Regina and Saskatoon airports. The new card-operated public payphones manufactured by Northern Telecom feature a visual display guide and accept all major credit cards and telephone company calling cards.

SaskTel operates and maintains more than 6,300 paystation telephones that annually handle 25 million calls.

Business communications under control

In 1990 a sophisticated new business communications system, the Meridian 1 PBX manufactured by Northern Telecom, was introduced to Saskatchewan. The highly flexible digital system incorporates technical innovations that provide customers with one-button access to many convenient and time-saving features. The Moose Jaw Union Hospital's Meridian 1 system was the first of its kind to be installed anywhere in North America.

SaskTel provides a wide array of business products and services, including private branch exchange switchboards and central office-based centrex systems, that can be tailored to meet each business customer's unique requirements.

A sophisticated new business communications system, the Meridian 1 PBX, was installed in Moose Jaw's Union Hospital. This highly flexible digital system can be easily modified to accommodate future enhancements. It incorporates advanced technical innovations that provide the latest in convenience and time-saving features. Nurse Maridel Harrod says the Meridian 1 helped to streamline procedures and improve efficiency in the hospital.

In case of emergency

Rapid response is essential when emergency assistance is needed. Prince Albert became the third Saskatchewan city to have emergency access to police, fire and ambulance services with the activation in October of an enhanced 9-1-1 system. Similar to systems in Regina and Saskatoon, Prince Albert's new 9-1-1 network displays the caller's name and address on a video display terminal. This added safety feature also saves time and helps eliminate mistakes when dispatching response crews.

The City of Weyburn purchased a more basic 9-1-1 system, specially tailored to meet stringent budget requirements, that uses centrex lines to provide emergency coverage to Weyburn and area residents.

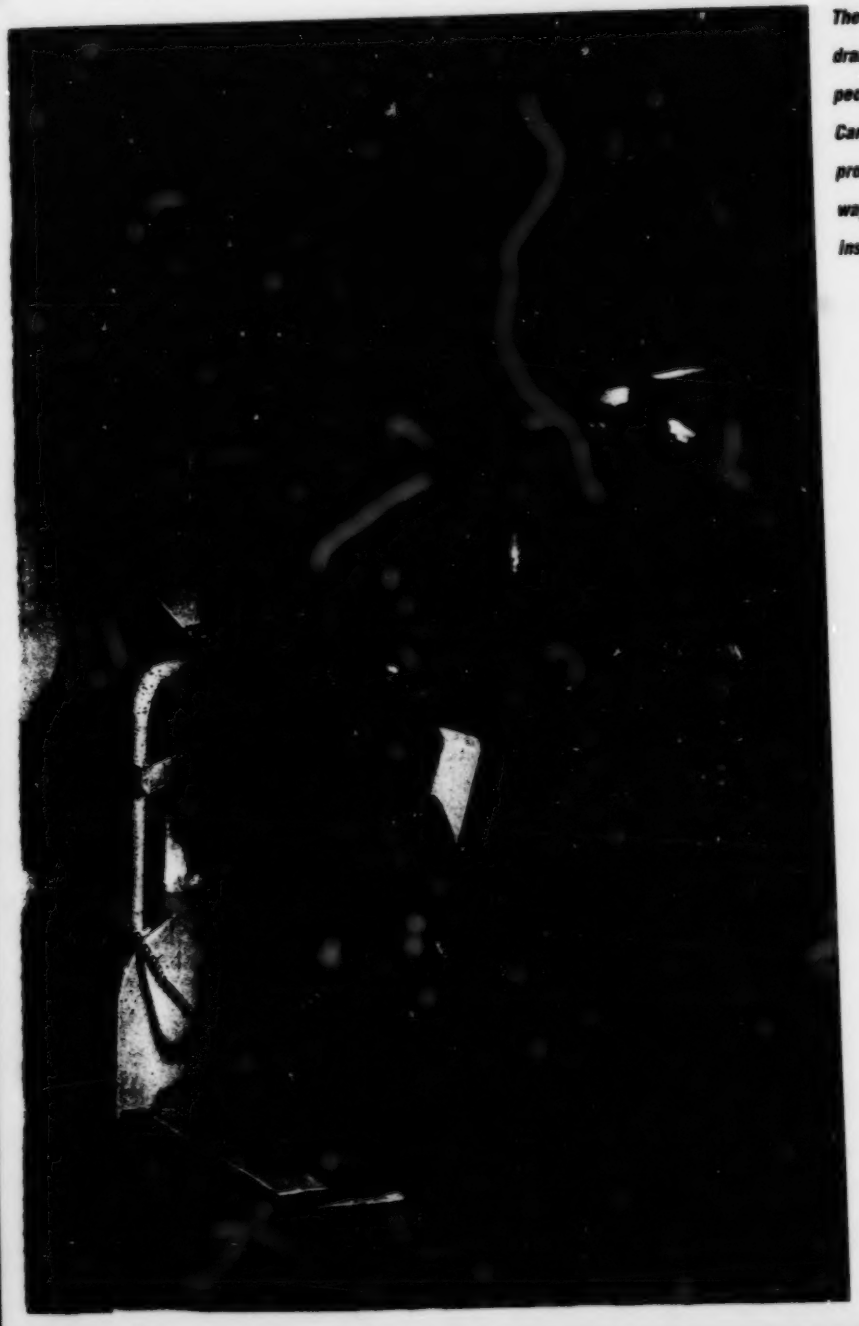
Better access to education

In 1990 the Saskatchewan Communications Network (SCN), the largest interactive television network in Canada, continued to offer improved educational opportunities for people in smaller communities and rural areas. The newly formed crown corporation expects to provide interactive instruction to nearly 2,600 students at 52 SCN-equipped locations during the 1990-91 academic year.

SaskTel and SCN are also participating in innovative "School of the Future" projects in Viscount and Swift Current. In partnership with Apple Canada and Northern Telecom, the two schools were provided with state-of-the art computer

International Minerals & Chemical Corp. (Canada) Limited at its Esterhazy potash mine purchased a business communications system to upgrade the quality and capacity of their telecommunications services 3,000 feet underground.

equipment linked to the province's distance education network. With the computer network and satellite links, students have the technical ability to communicate with people around the world. The project will help SaskTel, its partners and school divisions learn more about the applications of advanced technology in the educational environment.



The Saskatchewan Communications Network (SCN) is dramatically increasing educational opportunities for people in smaller communities. At the SCN centre at Canora, one of more than 50 such facilities in the province, students take a nutrition course. Through two-way audio and video links, students communicate with an instructor at the originating broadcast location.

SaskTel saw the future more than a decade ago, when it began investing in technology that its customers would need today.

Now, as SaskTel enters the 1990s, the corporation is technologically prepared to deliver a wide range of dependable and affordable solutions for virtually any telecommunications requirement. SaskTel is ready to respond with new products and services as markets change and new ones evolve — to help business customers remain competitive and to enhance the quality of life for consumers.

SaskTel began laying the foundation for the information age network of the 1990s back in 1986 when it initiated a number of innovative, capital-intensive programs. The rapid deployment of the latest digital technology in switching and transmission systems throughout the province will allow SaskTel to meet changing and ever growing customer needs. This technology will strengthen SaskTel's ability to introduce, expand or modify information age services, through software changes, to meet virtually any requirement.

Party lines eliminated

1990 signalled the end of SaskTel's five-year Individual Line Service (ILS) program, an important part of the corporation's province-wide network upgrading program.

Technology for the long run

All digital network

In conjunction with the ILS program, SaskTel invested an additional $128 million in computer-driven switching equipment serving people in smaller urban centres and rural customers in surrounding areas.

A second major digital conversion program, representing an investment of $146 million, was on schedule at year end. Under this program, new digital switching and network equipment is being installed in larger centres to replace older facilities that are more costly to operate and maintain.

At the end of the year, 80.1 percent of SaskTel's network access lines were served by digital switching systems and 90.9 percent of the transmission facilities were digital. By the end of 1994 SaskTel will achieve its goal of being the first telecommunications company in Canada to have an all-digital network.

The province-wide ILS and digital network conversion programs involve an investment of more than $500 million dollars. When completed, they will bring the benefits of the information age to business and residential customers no matter where they live or work.

The new network will vastly improve the quality, dependability, performance and cost-effectiveness of many telecommunications services. It will also play an increasingly important role in the provincial economy. Businesses throughout Saskatchewan will be able to apply the new telecommunications technologies to improve productivity, cut costs and compete more effectively in the national and international marketplace.

And while businesses already know that the strategic use of telecommunications is one of the keys to financial success, consumers will benefit from universally affordable new services that save time and money while adding convenience and value to everyday living.

Speed, security and savings

In April 1990 SaskTel announced that it will build a $15 million fiber optic route across southern Saskatchewan as part of a second national route planned by Telecom Canada. To be completed in 1992, the new route will run from border to border linking with the coast-to-coast network. This lightwave system will provide additional capacity and

Under this massive, multi-million dollar service improvement initiative — the largest single construction program ever undertaken by the company — more than 73,000 rural customers have had their multi-party lines upgraded to private lines since the project began in 1986.

The leadership shown by SaskTel in providing rural residents with the same high-quality telecommunications services enjoyed by urban customers reflects the corporation's on-going commitment to rural development and diversification.

Besides increased privacy and convenience, these new ILS customers now have equal access to a wide choice of products and services — answering machines, cordless telephones, on-line computer services, touch-tone dialing and custom calling features such as call forwarding, call waiting, three-way calling and speed dialing — previously available only in the province's larger urban centres.

Two ceremonies officially marked the end of the program, which was completed on time and $39 million under its $264 million budget. The first ceremony took place on September 25 in Limerick, in SaskTel's south division, and the second three days later in the north division community of Hudson Bay.

SaskTel is the first telecommunications company in North America to convert all rural multi-party line facilities to urban-quality individual line service.

back-up capability for the first coast-to-coast fiber optic network which was completed in 1990. Each pair of optical fibers in the second coast-to-coast route will be capable of carrying more than 32,000 two-way conversations.

SaskTel will interconnect the two national routes with a $4.5 million cross-link between Swift Current and Saskatoon. The cross-link will provide increased reliability and flexibility, as well as additional capacity to meet future customer needs.

The installation of a new fiber optic network to connect businesses in the downtown cores of Regina and Saskatoon was underway at year end. The two fiber optic rings, to be in place by the end of 1991, will provide city centre businesses with the ability to integrate voice, data and video services through a single pair of fiber optic strands. The project will provide larger businesses with more cost-effective data transmission and the highest level of system back-up reliability available anywhere.

Elementary school children at Viscount are the beneficiaries of an exciting and innovative "School of the Future" project. SaskTel, along with other sponsors, is helping to explore new ways of improving educational opportunities. The students have been provided with classroom computer networks and, through satellite links, have the ability to communicate with other students around the world. Enhancing education and cross-cultural understanding may prove to be one of the greatest benefits of advanced telecommunications technology.

Using technology to deliver affordable telecommunications services to a customer may seem as easy as completing a service order, but behind the scenes are many opportunities to increase efficiency, quality and customer satisfaction while, at the same time, contributing to the overall strength of the community. SaskTel is well positioned to lead the way by taking advantage of these opportunities.

Leading the way

Improving the quality of service

During 1990, quality and efficiency continued to guide SaskTel's streamlining of many internal operating procedures. While reducing operating costs, these on-going mechanization projects are enhancing the corporation's ability to improve customer service through faster installation and repair times, and quicker responses to billing inquires.

A five-year mechanization project that allows SaskTel to respond more quickly to changing customer needs was completed in November. The computer-based MARTENS replaces the previous manual system and consolidates and simplifies record-keeping by maintaining an accurate inventory of circuits, cables and telephones in use. The new province-wide system speeds up service order processing by simultaneously assigning a telephone number to a customer and identifying available facilities closest to the new installation site.

Keeping in touch with customer needs

In recent years changes have taken place in SaskTel's organizational structure to move the decision making process downward. This realignment has brought day-to-day decision making closer to customers. Employees who work with customers on a daily basis are encouraged to be more flexible and to take prudent risks when it's in the best interests of the customer and SaskTel.

In 1989 SaskTel introduced a Customer Satisfaction Measurement Plan which indicates the level of customer satisfaction in a number of key service areas including installation and repair, local and long distance, operator services and business office transactions. The program was refined in 1990 to substantially quicken response time. This on-going attention to quality is paying off, as indicated by higher levels of customer satisfaction.

The first phase of another program to measure and improve the level of customer satisfaction, the Performance Evaluation Program (PEP), was completed in 1990. The first part of this market research project involved interviewing 200 of the corporation's largest business customers. The next phase will analyze the business plans of these customers and focus on how SaskTel can help make each one a reality by anticipating future communications needs in an increasingly competitive environment.

A new multi-disciplinary group of North Battleford employees undertook a proactive approach that has been well received by the local business community. The employees meet regularly with business customers to get their feedback on how SaskTel can best enhance their communications needs.

The North Battleford team, consisting of representatives from the business office, construction, install and repair, and network groups, first completes an analysis of how each customer conducts business. The team then visits the business location to listen to customer concerns and discuss current and future options for improving efficiency and productivity.

Preparing our people

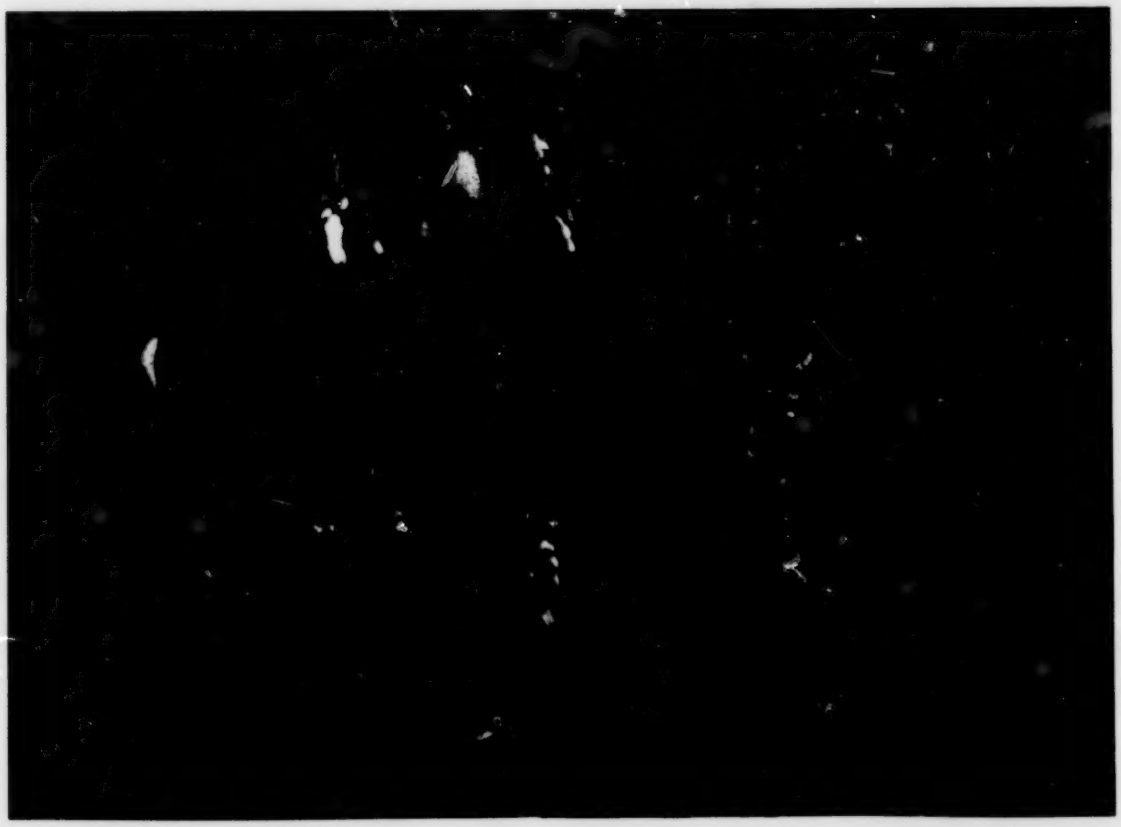
While SaskTel's investment in advanced technology will continue in the 1990s, it is the knowledge and commitment of SaskTel people who help make the application of these new technologies more valuable for customers. To keep pace with leading-edge products and services, SaskTel continues to place a strong emphasis on training programs to ensure that employees understand the technology and how it can be best applied to meet the diverse needs of customers.

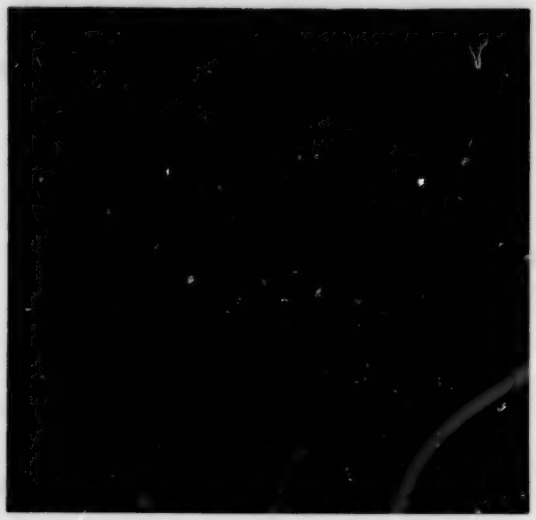
More than 21,150 person-days of training and staff development took place in 1990 as employees attended 2,300 courses provided during the year. In-house training programs are augmented with financial support for employees who successfully complete after hours courses in work-related areas.

Contributing to the community

Each year hundreds of SaskTel employees across the province donate their time, energy and talents to a wide range of athletic, educational, cultural and community activities. Along with important after-hour contributions, SaskTel employees donated generously through their local Telcare funds to financially support a large number of worthwhile charitable and non-profit organizations. In 1990, contributions from the nine Telcare funds, combined with a 50 percent corresponding contribution by SaskTel, totalled more than $300,000.

In 1990 Co-operators Data Services Ltd. (CDSL) selected Megastream, a high-speed, high-capacity network transmission service, to handle its business communications needs more effectively. The fully integrated digital service, which replaced a satellite network, allows CDSL to easily accommodate the wide variety of computer services it provides for the Co-operators group of companies. Here, SaskTel's Sandra Horvath discusses future applications with Rick McKague of CDSL.





Newfoundland Telephone purchased a highly sophisticated software system called MARTENS from SaskTel International during the year. Used to assign and administer inside and outside telephone plant facilities, the system's software is recognized as the best of its type in the world.

SaskTel International, a wholly owned subsidiary of SaskTel, continued to broaden its international activities in 1990 by taking advantage of the rapid growth in telecommunications projects around the world. The company, with its leadership in the evaluation, design and implementation of systems using SaskTel's expertise in state-of-the-art technologies, has earned an enviable reputation in the fiercely competitive global marketplace. As a result, SaskTel International is often selected as a business partner or technical consultant when strategic alliances are formed to bid on major public and private communications projects.

The best of its kind

One of SaskTel International's successes in recent years has been the sale to a number of telecommunications companies of a highly sophisticated software system used to assign and administer telephone facilities. Based on IBM's new DB2 database and recognized as the best software package of its kind in the world, MARTENS is now in operation at Pacific Telecom and Maritime Telegraph and Telephone. In 1990 the Newfoundland Telephone Company became the latest company to purchase MARTENS technology. Negotiations are also under way with other companies in Canada, the United States and Europe.

Projects complete and on-going

SaskTel International completed a number of projects in 1990 including a management review of Ontario Hydro's telecommunications organization, and cellular site installations in Alberta in conjunction with NovAtel Communications Inc. At year end, SaskTel International was also involved with NovAtel in the installation of similar cellular sites in the United States

In an on-going, multi-million dollar joint venture with John Laing plc and Fundy Cable, SaskTel International continued work on developing a network to integrate both cable television and telecommunications technologies and services for the cities of Leicester and Loughborough, England. A contract was also signed with Telecable Inc. to assist with an application for cable TV franchises in the United Kingdom.

An evaluation of the telecommunications system for the tunnel being built under the English Channel was undertaken. The contract with Transmanche Link Constructors involved a review of the communications system design and recommendations on how to best improve reliability and space requirements while bringing cost efficiencies in line.

SaskTel expertise around the world

SaskTel International was involved during the year in a number of other projects in Canada, the United States and overseas:

- A long-term project in Tanzania upgrading the telecommunications equipment and facilities of the Tanzania Railway Corporation.

- Two contracts with the Ministry of Government Services in Ontario will continue into 1991. The first involves the project management of a new switching system for all provincial government departments in Toronto. The other contract is to analyse the Government of Ontario's long distance patterns prior to recommending the most appropriate private switching system.

- The commissioning of leading edge digital switching systems continued in a number of United States locations under an on-going contract with Northern Telecom Inc.

- The installation of microwave-radio and fiber optic systems in the province of Jilin, China was completed.

Financial review

Consolidated earnings for 1990 were $46.9 million, a reduction of $30.9 million from 1989 earnings of $77.8 million. Increased demand for telecommunications products and services was offset by continued inter-provincial long distance rate reductions which have provided substantial savings to our customers, while putting downward pressure on earnings. Lower than anticipated income from long-term investments also contributed to the reduction in earnings for 1990. Efforts to contain operating expense growth to 4.2% during the year (5.8% in 1989) partially offset the unfavourable impacts.

Total operating revenues increased $21.0 million or 3.8% to $574.5 million for the year ($40.1 million or 7.8% to $553.5 million in 1989).

Local service revenues, comprised primarily of network access charges and corresponding equipment rentals, totalled $151.2 million for the year ($141.6 million in 1989). This represents an increase of $9.6 million or 6.8% over 1989 ($7.5 million or 5.6% in 1989) and can be attributed to stronger than expected business network access growth and completion of the Individual Line Service (ILS) program. Also contributing to local service revenues during the year were the new custom calling services and the first full year of SaskTel Cellular Services.

Total long distance service revenues increased $15.4 million or 4.0% to $399.3 million for the year ($39.3 million or 11.4% to $383.9 million in 1989). Total long distance messages originating in the province to all destinations grew 8.9% to $147.5 million in 1990 (7.7% to $135.4 million in 1989). This continued growth indicates strong demand for the corporation's quality services, despite the slowing economy, as well as a favourable response to continued rate reductions.

In-province long distance service revenues totalled $177.7 million for the year ($167.9 million in 1989), increasing $9.8 million or 5.9% over 1989 ($9.3 million or 5.8% in 1989). In-province long distance messages grew 7.3% to $102.1 million for the year (5.8% to $95.1 million in 1989), exceeding growth expectations.

Out-of-province long distance service revenues grew a modest $5.5 million or 2.6% in 1990, totalling $221.5 million for the year ($30.0 million or 16.2%, totalling $216.0 million in 1989). The third in a series of rate reductions, commencing in 1987, was implemented in early 1990, contributing significantly to lower revenue growth during the year. The out-of-province long distance messages continued to show strong growth increasing 12.9% to $45.5 million for the year (12.5% to $40.3 million in 1989).

Other operating revenues totalled $27.9 million for the year ($31.1 million in 1989). The decrease of $3.2 million or 10.2% in 1990 (decrease of $7.3 million or 18.9% in 1989) is primarily due to reporting of directory advertising commissions as an offset to revenues commencing in April 1989.

Operating expenses grew at less than the rate of inflation during 1990 increasing $17.6 million or 4.2% to $434.7 million ($22.9 million or 5.8% to $417.1 million in 1989). Contributing to the increase were depreciation expense on a growing telecommunications equipment base, wage increases as per the collective bargaining agreement and expenditures to upgrade switching equipment software. General and administrative expenses were held to a 1.1% increase, indicative of the efforts expended to contain costs. The ILS and switching equipment modernization programs have served to drive some of the growth in depreciation and switching software expenses as the corporation continues to bring the benefits of modern telecommunications technology to the people of Saskatchewan.

Other income consists of interest income on long-term receivables, consolidated net sales generated by SaskTel International and income from long-term investments. The net loss reported for 1990 is primarily due to losses absorbed from the corporation's investment in Westbridge Computer Corporation.

Interest and related costs have grown to $86.9 million in 1990, an increase of $11.9 million or 15.8% ($75.1 million, an increase of $7.5 million or 11.0% in 1989). The increase can be attributed to short-term debt acquired during the year to finance capital expenditures. Reductions in interest capitalized during construction as well as lower than expected earnings on sinking fund investments also contributed to the increased costs in 1990.

Cash generated from operations totalled $164.3 million for the year, an increase of 6.7% over 1989 ($154.0 million, an increase of 2.7% in 1989). Cash used for construction expenditures totalled $147.8 million in 1990, while $38.9 million was disbursed for payment of a dividend to the Crown Investments Corporation of Saskatchewan.

Financing activities included the use of short-term borrowing from the Province of Saskatchewan during the year. Short-term notes outstanding as at December 31, 1990 totalled $44.3 million. Other financing activities included long-term debt repayment of $4.8 million. Subsequent to December 31, 1990 the corporation borrowed $115,360,000 from the Province of Saskatchewan maturing on December 15, 2020.

Five-year record of service

For the year ended December 31

	1990	1989	1988	1987	1986
Network access services**	**562,179**	553,137	540,884	531,929	522,674
Originated long distance messages					
(In thousands)					
Telephone	**123,053**	113,496	106,000	98,827	94,768
Data, and other voice services	**24,490**	21,951	19,763	18,345	15,931
Total messages	**147,543**	135,447	125,763	117,172	110,699
Finance					
(In thousands of dollars)					
Operating revenues	**$574,485**	$553,513	$513,425	$469,548	$449,622
Operating expenses	**434,748**	417,054	394,174	357,048	347,033
Other income	**(858)**	12,521	11,665	8,542	4,776
Interest and related costs	**86,946**	75,072	67,626	70,502	70,845
Net earnings	**46,873**	77,760	70,113	50,540	36,520
Dividend	**46,873**	38,880	70,113	25,270	18,260
Gross construction expenditures	**155,960**	177,906	163,355	153,515	144,575
Property, plant and equipment*	**1,628,206**	1,530,393	1,448,032	1,357,622	1,301,163
Long-term debt-gross*	**847,658**	854,829	759,195	772,140	780,872
Financial ratios					
Return on average capital employed	**4.5%**	7.7%	7.6%	5.6%	4.3%
Debt as a percent of year-end capital	**72.2%**	69.0%	67.5%	74.1%	76.6%
Internally generated funds (net of dividends) as a percent of net construction expenditures	**84.9%**	51.3%	73.0%	88.9%	82.6%
Employees and payroll					
Number of employees*	**4,216**	4,373	4,525	4,508	4,504
Salaries earned (thousands of dollars)	**$172,346**	$169,053	$166,893	$156,169	$156,794

** Represents each working facility having primary connection to our network as at December 31
* At December 31

Management's responsibility for financial statements

The financial statements which follow have been prepared by management in conformity with accounting principles generally accepted in Canada and have been examined and approved by the Board of Directors. The financial information presented elsewhere in this annual report is consistent with that in the financial statements.

To ensure the integrity and objectivity of the financial data, management maintains a comprehensive system of internal controls including written policies and procedures, an organization structure that segregates duties, and a comprehensive internal audit program. These measures provide reasonable assurance that transactions are recorded and executed in compliance with legislation and required authority, that assets are properly safeguarded, and that reliable financial records are maintained.

The Board of Directors fulfills its responsibility with regard to the financial statements principally through its Audit Committee, consisting solely of outside directors, which meets periodically with management as well as with internal auditors and the external auditors. The latter have free access to this committee to discuss their audit work and their opinion on adequacy of internal financial controls, and the quality of financial reporting.

D.R. Carlin
Executive Vice President

David C. Schultz
D.C. Schultz
Controller

Regina, Saskatchewan
February 28, 1991

Auditors' report

To the Members of the
Legislative Assembly
Province of Saskatchewan

We have audited the consolidated statement of financial position of Saskatchewan Telecommunications as at December 31, 1990 and the consolidated statements of operations, retained earnings and changes in cash position for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the corporation as at December 31, 1990 and the results of its operations and the changes in its cash position for the year then ended in accordance with generally accepted accounting principles.

Deloitte & Touche

Chartered Accountants

Regina, Saskatchewan
February 28, 1991

Consolidated statement of operations

For the year ended December 31

	1990	1989
	(Thousands of dollars)	
Operating revenues		
Long distance service	$399,258	$383,878
Local service	151,235	141,607
Other	27,938	31,107
Uncollectible operating revenues	(3,946)	(3,079)
	574,485	553,513
Operating expenses		
Maintenance and operations	161,662	154,322
Depreciation (Note 2)	114,298	105,692
General and administrative	158,788	157,040
	434,748	417,054
Net operating revenue	139,737	136,459
Other income (Note 3)	(858)	12,521
	138,879	148,980
Interest and related costs (Note 4)	86,946	75,072
Net earnings, before extraordinary item	51,933	73,908
Extraordinary item (Note 5)	(5,060)	3,852
Net earnings	$ 46,873	$ 77,760

Consolidated statement of retained earnings

For the year ended December 31

	1990	1989
	(Thousands of dollars)	
Retained earnings at beginning of year	$ 77,760	$ 70,113
Net earnings	46,873	77,760
	124,633	147,873
Dividends (Note 6)	85,753	70,113
Retained earnings at end of year	$ 38,880	$ 77,760

See accompanying notes

Consolidated statement of financial position

As at December 31

	1990	1989
	(Thousands of dollars)	
Assets		
Property, plant and equipment (Note 7)	$ 998,262	$ 942,304
Deferred charges (Note 8)	8,009	13,127
Investments (Note 9)	22,864	31,856
Investment in leases (Note 10)	12,247	15,205
Notes receivable (Note 11)	20,973	23,925
	1,062,355	1,026,417
Current assets		
Accounts receivable	86,011	84,181
Inventory for resale	8,873	7,668
Prepayments	8,548	9,034
	103,432	100,883
	$1,165,787	$1,127,300
Liabilities and province's equity		
Long-term debt		
Province of Saskatchewan (Note 12)	$ 527,169	$ 605,089
TeleBonds (Note 13)	88,641	98,641
Obligations under capital leases (Note 14)	13,860	2,648
	629,670	706,378
Province of Saskatchewan's equity		
Equity advance (Note 15)	250,000	250,000
Retained earnings	38,880	77,760
	288,880	327,760
Current liabilities		
Bank overdraft	2,972	2,911
Accounts payable	48,645	38,074
Notes payable (Note 16)	44,305	17,300
Accrued interest	21,401	22,222
Dividend payable	46,873	—
Service billed in advance	7,022	6,561
Current portion of long-term debt (Notes 12,13)	76,019	6,094
	247,237	93,162
Approved by the Board	$1,165,787	$1,127,300

Les Cannam — Twila Teal

Consolidated statement of changes in cash position

For the year ended December 31

	1990	1989
	(Thousands of dollars)	
Cash from operations		
Net earnings	**$ 46,873**	$ 77,760
Add: Items not affecting cash (Note 17)	**109,812**	82,624
	156,685	160,384
Net change in working capital (Note 18)	**7,662**	(6,388)
Cash generated by operating activities	**164,347**	153,996
Cash from financing		
Proceeds from long-term debt	**—**	106,111
Proceeds from notes payable	**27,005**	(16,200)
Repayment of long-term debt	**(4,754)**	(7,790)
Dividend payment	**(38,880)**	(70,113)
Cash (used in) generated by financing activities	**(16,629)**	12,008
Cash for construction		
Gross construction expenditures	**(155,960)**	(177,906)
Change in material and supplies	**2,881**	43
Net salvage, capital contributions and other items not requiring cash	**5,300**	14,318
Cash used in construction activity	**(147,779)**	(163,545)
(Decrease) increase in cash during the year	**(61)**	2,459
Cash at beginning of year	**(2,911)**	(5,370)
Cash at end of year	**$ (2,972)**	$ (2,911)

See accompanying notes

Notes to consolidated financial statements

Saskatchewan Telecommunications
December 31, 1990

Note 1 — The corporation

Saskatchewan Telecommunications (SaskTel), a provincially owned Crown Corporation, markets and supplies a range of voice, data, text and image products, systems and services. Its membership in Telecom Canada enables it to extend its services throughout Canada and to connect its customers to the rest of the world.

The financial results of the corporation are included in the consolidated financial statements of the Crown Investments Corporation of Saskatchewan. As a Crown Corporation, SaskTel is not subject to Federal or Provincial income tax.

Note 2 — Summary of significant accounting policies

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada, and in conformity with prevailing practices in the Canadian telecommunications industry.

Consolidation
The consolidated financial statements include the accounts of the corporation's wholly-owned subsidiaries, Saskatchewan Telecommunications International, Inc. and Nu-Net Communications Ltd. All significant intercompany transactions and balances have been eliminated.

SaskTel has a 58.9% interest in Westbridge Computer Corporation (Westbridge) which is not consolidated because the corporation intends to reduce its holdings of Westbridge class A common shares to 35%.

Property, plant and equipment
Property, plant and equipment is recorded at original cost and includes materials, services, direct labour and associated benefit costs, which are readily quantifiable and identifiable with the construction activity. In addition, the corporation includes the cost of funds used to finance construction, based on the size and duration of the projects.

Deferred charges
Discount and issue expenses relating to long-term debt and TeleBonds are deferred and amortized on a straight-line basis over the term of the respective debt issue.

Investments
The corporation's investment in Westbridge is accounted for by the equity method. Under this method, SaskTel's proportionate share of Westbridge's earnings or losses is reflected in the consolidated statement of income and added to or subtracted from the carrying value of the investment.

The corporation's portfolio investments are carried at cost and dividend income is reflected when received.

Depreciation
Depreciation is computed on the straight-line, equal-life group method using rates as determined by a continuing program of engineering studies for each class of property in service.

When depreciable telecommunications property is retired, the original cost of such property, adjusted by any disposal proceeds and costs of removal, is charged to accumulated depreciation.

Pension costs
The cost of pension benefits earned by employees who are members of the corporation's defined benefit plan is determined using the accrued benefit method prorated on service and is charged to expense as services are rendered. This cost reflects management's best estimate of the plan's expected investment yields, salary increases, mortality of members, terminations and the ages at which members will retire.

This plan is actuarially valued at least every three years. Adjustments arising from plan amendments, experience gains and losses and changes in assumptions are amortized over the estimated average remaining service lives of the employees who are members of the defined benefit plan.

Foreign currency translations
Monetary assets and liabilities denominated in foreign currencies are stated in Canadian dollars at the foreign exchange rates prevailing at December 31. Foreign exchange gains or losses arising on translation are included in deferred charges and amortized on a straight-line basis over the remaining life of the related assets and liabilities. Revenues and expenses are translated at rates prevailing at the respective transaction dates.

Leases
Where the corporation is the lessor, rental revenues from operating leases are recognized as service is rendered to customers. Revenues from sales-type lease transactions are recognized at the inception of the lease. The investment in sales-type leases represents the present value of future lease payments receivable. Finance income is recognized in a manner which produces a constant rate of return over the term of the lease contract.

Where the corporation is the lessee, assets recorded under capital leases are amortized on a straight line basis over their expected useful life. Obligations recorded under capital leases are reduced by lease payments net of imputed interest. All other leases are accounted for as operating leases.

Inventories
Materials, supplies and inventory for resale are recorded at the lower of cost and net realizable value. Cost is determined using an average-cost basis.

Note 3 — Other Income

	1990	1989
	(Thousands of dollars)	
Interest income	$ 5,790	$ 6,393
Share of Westbridge (losses) earnings	(9,669)	2,944
Other	3,021	3,184
	$ (858)	$ 12,521

Note 4— Interest and related costs

	1990	1989
	(Thousands of dollars)	
Interest expense	$ 102,333	$ 95,476
Amortization of discount	1,150	1,004
Amortization of unrealized net foreign exchange losses	(1,493)	(1,233)
	101,990	95,247
Less: Sinking fund earnings	13,561	15,710
Interest charged to construction	1,386	2,467
Interest on temporary cash investments	97	1,998
	$ 86,946	$ 75,072

Note 5— Extraordinary item

A loss of $5,060,000 resulted from a write-down of the carrying value of Westbridge shares in excess of underlying net assets. SaskTel's investment in Westbridge as at December 31, 1990 reflects the corporation's proportionate share of Westbridge book value. In 1989 the sale of systems software and other assets to DirectWest Publishers Ltd. generated an extraordinary gain of $3,852,000.

Note 6 — Dividends

During the year, a dividend of $38,880,000, based on 1989 earnings, was declared and paid to Crown Investments Corporation of Saskatchewan. An additional dividend of $46,873,000, based on 1990 earnings, was declared for payment in 1991. Based on this declaration, a dividend of $40,000,000 was paid to Crown Investments Corporation of Saskatchewan on January 14, 1991.

Note 7 — Property, plant and equipment

	1990	1989
	(Thousands of dollars)	
Buildings, plant and equipment	$1,564,837	$1,483,564
Land	8,760	8,508
Plant under construction	14,347	16,271
Materials and supplies	12,961	15,841
Assets under capital leases	27,301	6,209
	1,628,206	1,530,393
Less: Accumulated depreciation	629,944	588,089
	$ 998,262	$ 942,304

The composite depreciation rate on the average depreciable telecommunications property in service was 7.49% in 1990 (7.37% in 1989).

As at December 31, 1990, the ratio of accumulated depreciation to depreciable telecommunications property was 39.6% (39.5% in 1989).

Note 8 — Deferred charges

	1990	1989
	(Thousands of dollars)	
Unamortized discount on long-term debt	$ 3,343	$ 3,809
Unamortized unrealized net foreign currency losses	2,501	776
Unamortized TeleBond issue costs	2,165	2,849
Cost of Westbridge shares in excess of underlying net assets	—	5,693
	$ 8,009	$13,127

Note 9 — Investments

	1990	1989
	(Thousands of dollars)	
Accounted for by the equity method:		
Investment in Westbridge Computer Corporation	$ 20,849	$ 30,518
Portfolio investments at cost:		
Telesat Canada	999	999
Other	1,016	339
	$ 22,864	$ 31,856

As at December 31, 1990, the closing Westbridge share price on the Toronto Stock Exchange was $2.50, corresponding to a market related value of $11,033,000.

Westbridge has announced that losses are expected to persist during the three months ending March 31, 1991, as the corporation continues to make operational and financial changes with a view to streamlining operations and reducing costs. No provision for potential continuing losses has been made in these financial statements.

Note 10 — Investment in leases

	1990	1989
	(Thousands of dollars)	
Total minimum lease payments receivable	$ 24,246	$ 28,577
Less: Unearned finance income	7,107	8,379
Investment in leases	17,139	20,198
Less: Current portion included in accounts receivable	4,892	4,993
	$ 12,247	$ 15,205

Finance income earned during the year amounted to $2,683,000 ($3,062,000 in 1989).

Note 11 - Notes receivable

	1990	1989
	(Thousands of dollars)	
Cable operators, primarily due in 1996	$ 20,636	$ 23,070
9 3/4% Westbridge Computer Corporation debenture, due January 1, 1992	1,800	1,800
11% DirectWest Publishers Ltd., due April, 1996	1,698	1,885
Other	—	25
	24,134	26,780
Less: Current portion included in accounts receivable	3,161	2,855
	$ 20,973	$ 23,925

Note 12 — Long-term debt, Province of Saskatchewan

Rate (%)	Issue date	Due date	1990		1989
			(Thousands of dollars)		
7.968	1970	1990	$ —	(b)	$ 9,806
4.875	1965	1990	—	(a)	6,835
7.000	1971	1991	9,461	(b)	9,461
17.840	1981	1991	59,600	(c)	59,600
7.403	1972	1992	15,093	(b)	15,093
7.563	1973	1993	8,644	(b)	8,644
13.375	1981	1996	73,955		73,955
7.750	1973	1998	5,000		5,000
8.250	1973	1998	15,000		15,000
10.000	1974	1999	25,000		25,000
11.750	1980	2000	25,000		25,000
9.875	1975	2000	2,222		2,222
10.250	1976	2001	25,000		25,000
9.000	1977	2002	25,000		25,000
13.000	1982	2002	75,000		75,000
12.250	1983	2003	25,000		25,000
9.500	1978	2003	30,000		30,000
11.650	1983	2003	8,182	(b)	8,182
12.966	1984	2004	28,956	(b)	28,956
10.000	1979	2004	40,000		40,000
9.583	1986	2006	32,598	(b)	32,598
8.700	1976	2006	57,678	(a)	57,589
10.241	1987	2007	13,597	(b)	13,597
8.625	1977	2007	53,538	(a)	53,454
9.250	1978	2008	53,358	(a)	53,274
10.092	1988	2008	20,779	(b)	20,779
			727,661		744,045
		Less: Equity in sinking funds	134,473		140,332
		Due within one year	66,019		(1,376)
		Net long-term debt - December 31	$ 527,169		$ 605,089

(a) Represents long-term debt repayable in U.S. dollars having a U.S. face value of $141,837,000 converted to $150,163,000 Canadian at the time of issue. It is recorded in Canadian dollar equivalent of $164,574,000 based on the foreign exchange rate prevailing as at December 31, 1990 of 1.1603 (1.1585 in 1989).

(b) Long-term debt totalling $137,310,000 received through the Canada Pension Plan under 20-year terms, is subject to redemption at six months notice.

(c) During 1989, long-term debt repayable in U.S. dollars having a face value of $50,000,000 at 16.375% was converted to a fixed Canadian obligation of $59,600,000 at 17.84%.

(d) Under conditions attached to a portion of long-term debt, the corporation is required to pay annually into sinking funds administered by the Province of Saskatchewan, amounts ranging from 1% to 3% of the original value of long-term debt received. The equity shown includes investments denominated in U.S. dollars held in the fund having a U.S.

dollar value of $3,981,000 recorded at $4,619,000 Canadian dollar equivalent based on the foreign exchange rate prevailing as at December 31, 1990.

(e) Total sinking fund installments, estimated TeleBond redemptions and long-term debt repayments (net of sinking fund equity) on outstanding debt over the next five years are as follows:

1991 — $76,019
1992 — $18,464
1993 — $17,643
1994 — $74,167
1995 — $ 5,526

Note 13 — TeleBonds

Type	Rate (%)	Issue Date	Maturity Date	**1990**	1989
Interest Bond	11.0	1989	1994	**$ 63,770**	$ 69,592
Credit Bond	14.0	1989	1994	**34,871**	36,519
				98,641	106,111
Less: Due within one year				**10,000**	7,470
Net TeleBonds — December 31				**$ 88,641**	$ 98,641

Interest TeleBonds pay interest annually on March 1st until maturity. Credit TeleBonds pay interest monthly by way of credit to the designated customer's telephone account.

Repayment of TeleBond principal and interest is unconditionally guaranteed by the Province of Saskatchewan. The rate of interest may be increased at the discretion of the corporation. TeleBonds are redeemable in whole or in part at the discretion of the bondholder on March 1 each year prior to maturity.

Note 14 — Commitments

a) Construction

As at December 31, 1990 the corporation was committed in the amount of approximately $6,000,000 for equipment and services relating to switching equipment modernization.

On September 28, 1989, the corporation's Board of Directors gave approval for investment of up to $11,200,000 (£5,000,000) in Leicester Communications Inc. of Great Britain. The commitment pertains to construction of cable television facilities.

b) Leases

The future minimum lease payments under the capital and operating leases of the corporation, together with the obligations under capital leases after deducting interest on the minimum lease payments, are as follows:

	Capital leases	Operating leases
	(Thousands of dollars)	
1991	$ 9,675	$ 32,755
1992	7,566	29,389
1993	6,013	28,076
1994	2,193	28,246
1995	186	28,446
Total minimum lease payments	25,633	$146,912
Less: Amount representing interest	4,277	
Current portion included in accounts payable	7,496	
Obligations under capital leases	$13,860	

Capital leases cover computer equipment and data terminals leased from Westbridge through contracts maturing at various dates from 1992 - 1995. The major portion of the operating lease commitment relates to a facilities management agreement with Westbridge over a seven year period ending in 1995. Other commitments are for vehicles, buildings and satellite channel leases.

Note 15 — Equity advance

The equity advance was received from Crown Investments Corporation of Saskatchewan (CIC), representing the Province of Saskatchewan's contributed equity in SaskTel. The advance is non-interest bearing and repayable at the discretion of CIC.

Note 16 — Notes payable

Notes payable represents interim capital financing arranged under established lines of credit. As at December 31, 1990 there were $44,305,000 ($17,300,000 in 1989) of outstanding notes payable to the Province of Saskatchewan bearing interest at an average rate of 11.49% (12.25% in 1989). On January 14, 1991, all outstanding notes payable were repaid.

Note 17 — Items not affecting cash

	1990	1989
	(Thousands of dollars)	
Depreciation Expense	**$ 114,298**	$ 105,692
Sinking fund earnings	**(13,561)**	(15,710)
Investment losses (income)	**9,669**	(2,944)
Interest charged to construction	**(1,386)**	(2,467)
Other	**792**	(1,947)
	$ 109,812	$ 82,624

Note 18 — Net change in working capital

	1990	1989
	(Thousands of dollars)	
(Increase) decrease in current assets:		
Accounts receivable	**$(1,830)**	$ (6,804)
Prepayments	**486**	(2,202)
Inventory held for resale	**(1,205)**	(1,808)
Increase (decrease) in current liabilities:		
Accounts payable	**10,571**	(1,439)
Accrued interest	**(821)**	6,280
Service billed in advance	**461**	(415)
	$ 7,662	$ (6,388)

Note 19 — Pension plans

The corporation maintains pension plans which provide retirement benefits for essentially all employees.

A defined benefit plan is maintained for those employees who were hired prior to October 1, 1977 and who did not elect to transfer to the Public Employees (Government Contributory) Superannuation Plan by October 1, 1978. This latter plan is a defined contribution plan, its funding requirements are established by the Superannuation (Supplementary Provisions) Act and employee contributions are matched by the corporation.

The defined benefit plan provides for pensions at retirement which are based on employees years of service and their highest five years earnings. The plan requires contributions from both employees and the corporation. The corporate contribution rate of 100 percent of employee contributions is based on the latest actuarial valuation of the plan (December 31, 1987).

	1990	1989
	(Thousands of dollars)	
Plan assets at market related value	**$ 384,822**	$ 369,266
Present value of accrued pension benefits	**379,100**	356,500
Surplus	**$ 5,722**	$ 12,766

	1990	1989
	(Thousands of dollars)	
Pension expense for the year was as follows:		
Defined benefit plan	**$ 2,093**	$ 3,990
Defined contribution plan	**4,307**	3,856
	$ 6,400	$ 7,846

Note 20 — Related party transactions

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown-controlled departments, agencies and corporations with which the corporation is related.

Account balances resulting from these transactions are included in the statement of financial position and are settled on normal trade terms.

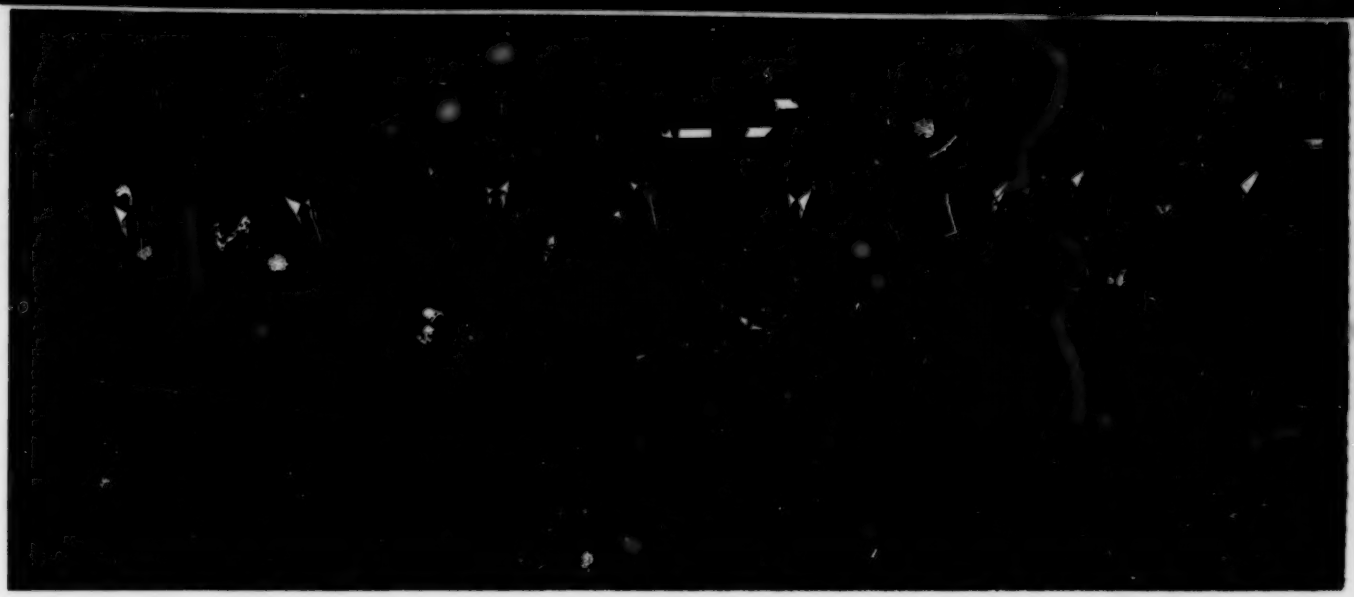
Other amounts due to (from) related parties and the terms of settlements are described separately in the financial statements and the notes thereto.

Note 21 — Subsequent events

On January 11, 1991, the corporation borrowed $115,360,000 ($100,000,000 U.S.) from the Province of Saskatchewan, repayable in U.S. dollars, maturing on December 15, 2020, and bearing interest at 9.375%.

Note 22 — Comparative financial information

Certain 1989 balances have been reclassified to conform with the current year's presentation.



Board of directors

(Left to right)

Len Exner [3,4]
Regina

Josie Black [2]
Estlin

William Sheppard [2]
Lucky Lake

Iris Miller-Dennis [3,4]
Regina

Arthur Watt [2]
Craik

Pauline Duncan [1]
Regina

Graham Walker [3,4]
(Chairman), Regina

Maureen Barrie [1]
Quill Lake

Gordon McMillan [3]
Swift Current

Mary Guenther [2]
Maple Creek

Hon. J. Gary Lane
Regina

Les Cannam [1]
Saskatoon

Brenda Fahselt [1,4]
Cabri

Don Pulfer [4]
Weyburn

Not shown:

Leonard Boxell [2]
Unity

Twila Teal [1,4]
Saskatoon

Committees of the board

[1] **Audit committee**

[2] **Corporate contributions committee**

[3] **Management resource and compensation committee**

[4] **Public policy committee**

Corporate directory

Executive officers

James A. Coombs
President and
Chief Executive Officer

David R. Carlin
Executive Vice President

B. William Lambert
Vice President
Engineering

John C. Meldrum
Vice President
and Corporate Counsel
(Corporate Secretary)

H. James Osborne
Vice President
Corporate Affairs

Barry E. Roberts
Vice President
Operations North

George A. Spencer
Vice President
Operations South

Fred E. Yeo
Vice President
Human Resources,
Supplies and Services

Tom S. Hope
President
SaskTel International

Senior operating managers

Dave Birnie
General Manager
Supplies and Services

Doug Campbell
General Manager
Systems and Methods

Brien Charlton
General Manager
Marketing

Basil Ciepliski
General Manager
Mobile Communications

Gord Farmer
General Manager
Operations North
Districts

Dave Harvey
General Manager
Information
Technology Management

Moe Hawrysh
General Manager
Network Planning
and Provisioning

Betty Hoffart
Treasurer

Jack Lax
General Manager
Industrial Relations

Ron Luebke
General Manager
Operations Saskatoon

Stacey Sandison
General Sales Manager

Don Savaria
General Manager
Public Affairs
and Advertising

Randy Stephanson
General Manager
Operations Districts
South

David Schultz
Controller

Norm Stepan
General Manager
Policy, Rates and
Regulatory Affairs

Bill Wendel
General Manager
Operations Regina

Greg Wensel
General Manager
Human Resources

SaskTel is dedicated to providing service in a manner that protects people and the environment.